

Course Title: Applying taxation concepts to professional practice – Group annuity plans
Competency: 02-204
Instructor: Jocelyne Durand, CA

Overview

Throughout this course, students will gain a basic understanding of the federal and Quebec tax structure and effectively grasp the fiscal implications inherent in the sale and administration of group annuity plans.

Reference Manual

Taxation Concepts pertaining to Group Insurance of persons and Annuity Plans (A202-T1)
Autorité des marchés financiers
Second edition: 2008

Material to Prepare

Prior to July 18: Chapter 1
Prior to August 1: Chapter 3
Prior to August 8: Chapter 4

* Thoroughly preparing and understanding the material at hand prior to each class is an important determinant in the successful completion of this course. Each class will serve as a discussion forum and provide concrete applications of the material. Your lack of preparation might affect your ability to participate in class discussions.

Evaluation Method

In class participation	10%
Test based on chapter 1 (July 18)	45%
Test based on chapter 3 (August 1)	45%

Course Content

July 18: Understand the tax framework in Québec (Chapter 1)

1. Understand provincial and federal tax statutes that govern group insurance
 - Most important federal legislation
 - Income Tax Act;
 - Excise Tax Act;
 - Most important provincial legislation
 - Loi sur les impôts;
 - Loi sur la taxe de vente du Québec;

2. Understand basic taxation principles

- Who is subject to tax?
 - Individuals;
 - Corporations;

- Steps in the income tax calculation
 - Calculation of income;
 - Calculation of taxable income;
 - Taxation rates to calculate taxes payable;

- Death of an individual
 - Income tax return;
 - Registered retirement savings plan;
 - Life insurance contract;

- Sale of a company
 - Sale of shares;
 - Sale of assets;

3. Summary of taxation of contributions and benefits of various statutes dealing with social issues

- Most important federal legislation
 - Employment Insurance Act;
 - Old Age Security Act;

- Most important provincial legislation
 - Quebec Parental Insurance Plan;
 - Act respecting industrial accidents and occupational diseases;
 - Act respecting the Quebec Pension Plan;
 - Hospitalization Insurance Act;
 - Act respecting the Régie de l'assurance-maladie du Québec;
 - Act respecting the Prescription Drug Insurance;
 - Individual and Family Assistance Act;
 - Act respecting the Société de l'assurance automobile;

August 1: Taxation of Group annuities (chapter 3)

1. Tax assistance for retirement savings

- Reform of the Income tax Act and the regulations thereunder;
- Aggregate retirement savings limit;

2. RRSPs and Group RRSPs

- Aggregate Tax benefits of registration;
- Principal registration rules;
- Annual contribution limits;
- Minimum annual contribution;
- Additional taxes in the event of excess contributions;
- The tax treatment of employer contributions;

3. Registered Pension Plans

- Definitions;
- Tax benefits of an RPP;
- RPP registration rules;

4. Principal rules imposed on Defined contribution RPPs

- Annual contribution limits;
- Minimum annual contributions;
- Pension adjustment;

5. Principal rules imposed on Defined benefit RPPs

- Annual contribution limits;
- Minimum annual contributions;
- Annual benefit limits;
- Pension adjustment;
- Past service pension adjustment;
- Pension adjustment reversal;

6. Individual pension plans

- Definition;
- Advantages of an IPP;
- Disadvantages and restrictions of an IPP;

7. Simplified Pension Plans

8. Deferred Profit Sharing Plans

- Tax benefits of registration;
- Annual contribution limits;
- Minimum annual contributions;
- Combination group RRSP/DPSP;
- Pension adjustment;

9. Advantages conferred and additional rules applicable to flexible pension plans

- Definition;
- Tax benefits and additional rules;
- Available ancillary benefits;

10. Retiring allowances

- Definition;
- Principles;
- Transferability to RRSPs and RPPs;

11. Other retirement savings vehicles

- Registered retirement income funds;
- Locked-in retirement accounts;
- Life income funds;

12. Direct tax-free transfers ("Rollovers")

13. Administration fees paid by the employer: Tax consequences

August 8: Apply the concepts of accounting and financial mathematics (chapter 4)

1. Accounting

- Basic concepts
- Elements of financial statements
- Analysis of Financial statements

2. Financial mathematics

- Basic notions
- Temporal Value of a Single Payment
- Temporal Value of an annuity
- Application to Investments
- How to use the calculator Texas Instrument BA 11 Plus
- Financial calculations